

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

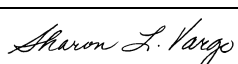
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature 	Printed Name		License Number	

Charter Township of Emmett Calhoun County, Michigan

**Financial Report
with Supplemental Information
March 31, 2007**

Charter Township of Emmett

Contents

Report Letter	I
Management's Discussion and Analysis	2-5
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Assets	6
Statement of Activities	7
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	8
Statement of Revenue, Expenditures, and Changes in Fund Balances	9
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	10
Proprietary Funds:	
Statement of Net Assets	11
Statement of Revenue, Expenses, and Changes in Fund Net Assets	12
Statement of Cash Flows	13
Notes to Financial Statements	14-27
Required Supplemental Information	28
Budgetary Comparison Schedule - General Fund	29-34
Budgetary Comparison Schedule - Major Special Revenue Funds	35-36
Note to Required Supplemental Information	37



Plante & Moran, PLLC

Suite 300
750 Trade Centre Way
Portage, MI 49002
Tel: 269.567.4500
Fax: 269.567.4501
plantemoran.com

Independent Auditor's Report

To the Township Board
Charter Township of Emmett
Calhoun County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Emmett as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter Township of Emmett's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Emmett as of March 31, 2007 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Plante & Moran, PLLC

May 15, 2007



Charter Township of Emmett

Management's Discussion and Analysis

Our discussion and analysis of the Charter Township of Emmett's (the "Township") financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2007. Please read it in conjunction with the Township's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended March 31, 2007:

- The Township continues to rely heavily on our fund balance to weather the tough financial times for the state of Michigan. State revenue sharing continues to be eroded by the governor and legislature, while they add additional unfunded mandates. The Township will face a long rebuild of our fund balance to offset this.
- The overall economy has slowed development and building which directly impacts our fees. The growth that we know will occur when the proposed casino is approved later this summer will require our staff to be maintained at current levels to meet the demands. In fact, the current demands have been significant with developers speculating on investment opportunities related to the prospect of the proposed casino. Inasmuch, our fixed overhead costs have not reduced and our revenue has.
- There were no significant changes in the Township's tax base, but the high amount of bankruptcies and corresponding tax foreclosures has resulted in an increase in tax refunds to the County.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township as a whole and present a long-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds.

Charter Township of Emmett

Management's Discussion and Analysis

The Township as a Whole

The following table shows, in a condensed format, the net assets as of the current date and prior year as required by GASB 34 stated under the full accrual basis:

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Assets						
Capital assets	\$ 687,548	\$ 788,399	\$ 11,897,658	\$ 12,268,560	\$ 12,585,206	\$ 13,056,959
Other assets	1,804,539	1,967,428	2,407,024	2,634,132	4,211,563	4,601,560
Total assets	2,492,087	2,755,827	14,304,682	14,902,692	16,796,769	17,658,519
Liabilities						
Current liabilities	267,675	284,172	207,598	212,032	475,273	496,204
Long-term liabilities	1,226,193	1,398,143	2,500,000	2,650,000	3,726,193	4,048,143
Total liabilities	1,493,868	1,682,315	2,707,598	2,862,032	4,201,466	4,544,347
Net Assets						
Invested in capital assets -						
Net of related debt	574,556	607,808	9,247,658	9,468,560	9,822,214	10,076,368
Restricted	144,718	1,165,000	-	-	144,718	1,165,000
Unrestricted	278,945	(699,296)	2,349,426	2,572,100	2,628,371	1,872,804
Total net assets	<u>\$ 998,219</u>	<u>\$ 1,073,512</u>	<u>\$ 11,597,084</u>	<u>\$ 12,040,660</u>	<u>\$ 12,595,303</u>	<u>\$ 13,114,172</u>

The following table shows the changes of the net assets as of the current date and prior year as required by GASB 34 stated under the full accrual basis:

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenue						
Program revenue - Charges for services	\$ 349,600	\$ 273,013	\$ 104,234	\$ 774,718	\$ 453,834	\$ 1,047,731
Capital grants and contributions	85,238	-	49,496	132,000	134,734	132,000
General revenue:						
Property taxes	1,647,437	1,583,996	-	-	1,647,437	1,583,996
State-shared revenue	916,640	925,445	-	-	916,640	925,445
Unrestricted investment earnings	75,402	67,477	127,418	125,477	202,820	192,954
Franchise fees	33,909	43,617	-	-	33,909	43,617
Transfers and other revenue	112,372	59,355	(30,000)	-	82,372	59,355
Total revenue	3,220,598	2,952,903	251,148	1,032,195	3,471,746	3,985,098
Program Expenses						
General government	684,159	557,772	-	-	684,159	557,772
Public safety	2,350,063	2,267,512	-	-	2,350,063	2,267,512
Roads, highways, and street lights	176,144	140,325	-	-	176,144	140,325
Cemetery	29,533	27,402	-	-	29,533	27,402
Water and sewer	-	-	694,724	1,247,494	694,724	1,247,494
Interest on long-term debt	55,992	61,303	-	-	55,992	61,303
Total program expenses	3,295,891	3,054,314	694,724	1,247,494	3,990,615	4,301,808
Change in Net Assets	<u>\$ (75,293)</u>	<u>\$ (101,411)</u>	<u>\$ (443,576)</u>	<u>\$ (215,299)</u>	<u>\$ (518,869)</u>	<u>\$ (316,710)</u>

Charter Township of Emmett

Management's Discussion and Analysis (Continued)

Governmental Activities

The decrease of approximately \$75,300 in the Township's governmental activities net assets is slightly lower compared to the decrease in 2006 of approximately \$101,000. Revenue increased 9 percent from the prior year and expenses increased 7.9 percent. The largest increase in expenditures relates to the increase in the planning commission expenditures, which increased approximately \$74,000.

Business-type Activities

The Township's business-type activities consist of the Water and Sewer Fund. We provide water and sewage treatment to residents through the City of Battle Creek. The loss in net assets for the Water and Sewer Fund of approximately \$444,000 is significantly higher compared to the prior year loss of approximately \$215,000. This is due largely to the \$132,000 capital contribution received in 2006. This year, the Township received a capital contribution of nearly \$50,000. In addition, the Water and Sewer Fund made an operating transfer to the General Fund of \$30,000 during the year.

The Township's Funds

Our analysis of the Township's major funds begins on page 8, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2007 include the General Fund, the Public Safety Fund, the Public Safety Special Revenue Fund, and the Project #5 Fund.

The General Fund pays for most of the Township's governmental services. The Public Safety Fund incurred expenses of approximately \$1,898,000 for police and fire protection in 2007. Public safety is partially supported by a special millage and a transfer from the General Fund. The amount transferred from the General Fund amounted to approximately \$861,000.

General Fund Budgetary Highlights

Over the course of the year, the Township amended the budget to take into account events during the year. The most significant changes to the General Fund were an increase to the current road assessments revenue by approximately \$47,500 from the original to the amended budget, and the corresponding \$47,500 increase to the roads - improvements expenditure. The Public Safety Special Revenue Fund budget was also amended to budget the operating transfer to the Public Safety Fund, resulting in an amended budget increase of approximately \$229,000.

Charter Township of Emmett

Management's Discussion and Analysis (Continued)

Capital Asset and Debt Administration

During the year ended March 31, 2007, there were no significant capital asset purchases, nor were any new debt instruments issued.

Economic Factors and Next Year's Budgets and Rates

We felt quite confident that the upcoming fiscal year would perform without significant reliance on our fund balance, but the State of Michigan further reduces our shared revenue or adds additional responsibilities to us. As of the time of this financial statement issue, the total financial picture for the Township for the upcoming year is unknown.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

Charter Township of Emmett

Statement of Net Assets March 31, 2007

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
Assets			
Cash and investments (Note 3)	\$ 1,272,232	\$ 1,315,360	\$ 2,587,592
Receivables - Net (Note 4)	445,662	1,094,247	1,539,909
Internal balances	2,583	(2,583)	-
Due from other governmental units	6,922	-	6,922
Bond issuance costs	77,140	-	77,140
Capital assets - Net (Note 5)	687,548	11,897,658	12,585,206
Total assets	2,492,087	14,304,682	16,796,769
Liabilities			
Accounts payable	68,981	57,598	126,579
Accrued interest	16,966	-	16,966
Deferred revenue (Note 4)	9,929	-	9,929
Noncurrent liabilities (Note 7):			
Due within one year	171,799	150,000	321,799
Due in more than one year	1,226,193	2,500,000	3,726,193
Total liabilities	1,493,868	2,707,598	4,201,466
Net Assets			
Invested in capital assets - Net of related debt	574,556	9,247,658	9,822,214
Restricted - Fire fleet	144,718	-	144,718
Unrestricted	278,945	2,349,426	2,628,371
Total net assets	\$ 998,219	\$ 11,597,084	\$ 12,595,303

Charter Township of Emmett

Statement of Activities Year Ended March 31, 2007

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Capital Grants and Contributions	Primary Government		
				Governmental Activities	Business-type Activities	Total
Primary government:						
Governmental activities:						
General government	\$ 684,159	\$ 176,760	\$ -	\$ (507,399)	\$ -	\$ (507,399)
Public safety	2,350,063	165,521	49,950	(2,134,592)	-	(2,134,592)
Roads, highways, and street lights	176,144	-	35,288	(140,856)	-	(140,856)
Cemetery	29,533	7,319	-	(22,214)	-	(22,214)
Interest on long-term debt	55,992	-	-	(55,992)	-	(55,992)
Total governmental activities	3,295,891	349,600	85,238	(2,861,053)	-	(2,861,053)
Business-type activities - Water and sewer	694,724	104,234	49,496	-	(540,994)	(540,994)
Total primary government	<u>\$ 3,990,615</u>	<u>\$ 453,834</u>	<u>\$ 134,734</u>	(2,861,053)	(540,994)	(3,402,047)
General revenues:						
Property taxes				1,647,437	-	1,647,437
State-shared revenues				916,640	-	916,640
Unrestricted investment earnings				75,402	127,418	202,820
Franchise fees				33,909	-	33,909
Miscellaneous				82,372	-	82,372
Transfers				30,000	(30,000)	-
Total general revenues				2,785,760	97,418	2,883,178
Decrease in Net Assets				(75,293)	(443,576)	(518,869)
Net Assets - Beginning of year				1,073,512	12,040,660	13,114,172
Net Assets - End of year				<u>\$ 998,219</u>	<u>\$ 11,597,084</u>	<u>\$ 12,595,303</u>

Charter Township of Emmett

Governmental Funds Balance Sheet March 31, 2007

	General	Public Safety	Public Safety Special Revenue	Project #5 Sewer and Water	Nonmajor Governmental Fund - Bradford Water	Total Governmental Funds
Assets						
Cash and investments	\$ 309,906	\$ -	\$ 282,200	\$ 642,223	\$ 37,903	\$ 1,272,232
Receivables - Net	60,198	72,327	28,041	230,792	54,304	445,662
Due from other funds	20,799	-	-	-	-	20,799
Due from other governmental units	6,922	-	-	-	-	6,922
Total assets	<u>\$ 397,825</u>	<u>\$ 72,327</u>	<u>\$ 310,241</u>	<u>\$ 873,015</u>	<u>\$ 92,207</u>	<u>\$ 1,745,615</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 23,661	\$ 43,306	\$ 2,014	\$ -	\$ -	\$ 68,981
Due to other funds	-	-	15,709	-	2,507	18,216
Deferred revenue	-	9,930	-	230,772	54,304	295,006
Total liabilities	23,661	53,236	17,723	230,772	56,811	382,203
Fund Balances						
Reserved:						
Fire fleet	-	-	144,718	-	-	144,718
Debt service	-	-	-	642,243	-	642,243
Unreserved, reported in:						
General Fund	374,164	-	-	-	-	374,164
Special Revenue Funds	-	19,091	147,800	-	-	166,891
Debt Service Funds	-	-	-	-	35,396	35,396
Total fund balances	<u>374,164</u>	<u>19,091</u>	<u>292,518</u>	<u>642,243</u>	<u>35,396</u>	<u>1,363,412</u>
Total liabilities and fund balances	<u>\$ 397,825</u>	<u>\$ 72,327</u>	<u>\$ 310,241</u>	<u>\$ 873,015</u>	<u>\$ 92,207</u>	
Amounts reported for governmental activities in the statement of net assets are different because:						
Capital assets used in governmental activities are not financial resources and are not reported in the funds						687,548
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures						285,077
Accrued interest						(16,966)
Bond issuance costs						77,140
Long-term liabilities are not due and payable in the current period and are not reported in the funds						(1,397,992)
Net assets of governmental activities						<u>\$ 998,219</u>

Charter Township of Emmett

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended March 31, 2007

	General	Public Safety	Public Safety Special Revenue	Project #5 Sewer and Water	Nonmajor Governmental Fund - Bradford Water	Total Governmental Funds
Revenue						
Property taxes	\$ 572,951	\$ 776,819	\$ 297,667	\$ -	\$ -	\$ 1,647,437
Special assessments	35,288	-	-	43,976	18,566	97,830
Licenses and permits	161,700	-	-	-	-	161,700
State-shared revenues and grants	867,674	48,966	-	-	-	916,640
Charges for services	55,542	4,883	-	-	-	60,425
Fines and forfeitures	746	160,638	-	-	-	161,384
Interest and rentals	30,128	-	5,115	33,507	6,652	75,402
Other	4,110	64,758	9,480	4,024	-	82,372
Total revenue	1,728,139	1,056,064	312,262	81,507	25,218	3,203,190
Expenditures - Current						
General government	542,733	-	-	-	-	542,733
Public safety	140,817	1,898,335	160,723	-	-	2,199,875
Roads, highways, and street lights	176,144	-	-	-	-	176,144
Cemetery	29,533	-	-	-	-	29,533
Other	79,510	-	-	54,475	399	134,384
Debt service:						
Principal	-	-	67,599	75,000	30,000	172,599
Interest	-	-	9,473	37,840	9,617	56,930
Total expenditures	968,737	1,898,335	237,795	167,315	40,016	3,312,198
Excess (Deficiency) of Revenue Over Expenditures	759,402	(842,271)	74,467	(85,808)	(14,798)	(109,008)
Other Financing Sources (Uses)						
Transfers in	30,000	861,362	-	-	-	891,362
Transfers out	(861,362)	-	-	-	-	(861,362)
Total other financing sources (uses)	(831,362)	861,362	-	-	-	30,000
Net Change in Fund Balances	(71,960)	19,091	74,467	(85,808)	(14,798)	(79,008)
Fund Balances - Beginning of year	446,124	-	218,051	728,051	50,194	1,442,420
Fund Balances - End of year	\$ 374,164	\$ 19,091	\$ 292,518	\$ 642,243	\$ 35,396	\$ 1,363,412

Charter Township of Emmett

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended March 31, 2007

Net Change in Fund Balances - Total Governmental Funds \$ (79,008)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Additions	71,701
Depreciation and amortization	(178,981)

Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end (62,542)

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 172,599

Decrease in accrued interest reported on the statement of activities, but not on the governmental funds 938

Change in Net Assets of Governmental Activities \$ (75,293)

Charter Township of Emmett

Proprietary Funds Statement of Net Assets March 31, 2007

	Enterprise Fund - Water and Sewer
Assets	
Current assets:	
Cash and cash equivalents	\$ 1,315,360
Receivables - Net	<u>1,094,247</u>
Total current assets	2,409,607
Noncurrent assets - Capital assets	<u>11,897,658</u>
Total assets	14,307,265
Liabilities	
Current liabilities:	
Accounts payable	57,598
Due to other funds	2,583
Current portion of long-term debt	150,000
Noncurrent liabilities - Long-term debt - Net of current portion	<u>2,500,000</u>
Total liabilities	<u>2,710,181</u>
Net Assets	
Investment in capital assets - Net of related debt	9,247,658
Unrestricted	<u>2,349,426</u>
Total net assets	<u><u>\$ 11,597,084</u></u>

Charter Township of Emmett

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended March 31, 2007

	Enterprise Fund - Water and Sewer
Operating Revenue - Charges for services	\$ 104,234
Operating Expenses	
Depreciation	425,044
Other	<u>130,157</u>
Total operating expenses	<u>555,201</u>
Operating Loss	(450,967)
Nonoperating Revenue (Expenses)	
Investment income	127,418
Interest expense	<u>(139,523)</u>
Loss - Before transfers and contributions	(463,072)
Transfers to Other Funds	(30,000)
Capital Contributions - Sewer assets	<u>49,496</u>
Change in Net Assets	(443,576)
Net Assets - Beginning of year	<u>12,040,660</u>
Net Assets - End of year	<u><u>\$ 11,597,084</u></u>

Charter Township of Emmett

Proprietary Funds Statement of Cash Flows Year Ended March 31, 2007

	enterprise Fund - Water and Sewer
Cash Flows from Operating Activities	
Receipts from customers	\$ 203,857
Payments to suppliers	(101,744)
Payments to employees	(30,264)
Net cash provided by operating activities	71,849
Cash Flows from Noncapital Financing Activities - Transfers to other funds	(30,000)
Cash Flows from Capital and Related Financing Activities	
Purchase of capital assets	(4,646)
Collection of customer assessments (principal and interest)	310,818
Principal and interest paid on capital debt	(289,523)
Net cash used in capital and related financing activities	16,649
Cash Flows from Investing Activities - Interest received on investments	37,213
Net Increase in Cash and Cash Equivalents	95,711
Cash and Cash Equivalents - Beginning of year	1,219,649
Cash and Cash Equivalents - End of year	<u><u>\$ 1,315,360</u></u>
Reconciliation of Operating Loss to Net Cash from Operating Activities	
Operating loss	\$ (450,967)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation and amortization	425,044
Changes in assets and liabilities:	
Receivables	99,623
Interfund balances	2,583
Accounts payable	(4,434)
Net cash provided by operating activities	<u><u>\$ 71,849</u></u>

During the year, the Water and Sewer Fund received an asset from Project #5 Sewer and Water Fund for \$49,496. Project #5 Sewer and Water paid for the asset to be constructed, and then it was transferred to the Water and Sewer Fund in the form of a capital contribution once the asset was complete.

Charter Township of Emmett

Notes to Financial Statements March 31, 2007

Note I - Summary of Significant Accounting Policies

The accounting policies of the Charter Township of Emmett (the "Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Charter Township of Emmett:

Reporting Entity

The Charter Township of Emmett is governed by an elected seven-member board of trustees. The accompanying basic financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing relationships. In accordance with generally accepted accounting principles, there are no component units to be included in these financial statements.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

Charter Township of Emmett

Notes to Financial Statements March 31, 2007

Note I - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period, or soon enough thereafter, to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and expenditures relating to claims and judgments are recorded only when payment is due.

The Township reports the following major governmental funds:

General Fund - The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund. General Fund activities are financed by revenue from general property taxes, state-shared revenue, and other sources.

Public Safety Fund - The Public Safety Fund is used to account for two property tax millages. One millage is restricted for public safety operational expenditures and the second millage is designated for grant retention and personnel costs.

Public Safety Special Revenue Fund - The Public Safety Special Revenue Fund is used to account for the proceeds of a property tax millage for the purchase of public safety (police cars and fire trucks), apparatus, equipment, and buildings (stations) as well as for the maintenance thereof.

Charter Township of Emmett

Notes to Financial Statements March 31, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

Project #5 Sewer and Water Project Fund - The Project #5 Sewer and Water Project Fund is used to account for the earmarked revenue and annual payment of principal, interest, and expenses in connection with Project #5 properties.

The Township reports the following major proprietary fund:

Water and Sewer Fund - The Water and Sewer Operations Fund is used to account for the results of operations that provide a service to Township residents that are financed primarily by a user charge for the provision of that service. The service is provided to the Township through a contract with the City of Battle Creek. The original contract with the City of Battle Creek states that it shall continue in full force and effect for an indefinite period of time, which shall be not less than a period of 40 years.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Township has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's water and sewer function and various other functions of the Township. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the proprietary fund relates to amounts remitted by the City of Battle Creek based on a percentage of user charges collected from Township residents. Operating expenses for the proprietary fund include regulatory expenses and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Township's policy is to first apply restricted resources.

Property Tax Revenue

Property taxes are levied on December 1 each year on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

Charter Township of Emmett

Notes to Financial Statements March 31, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

The Township's 2006 tax is levied and collectible on December 1, 2006 and is recognized as revenue in the year ended March 31, 2007, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2006 taxable valuation of the Township totaled \$322 million, on which taxes levied consisted of .8432 mills for operating purposes, .8553 mills for public safety, 1.00 mills for public safety equipment, 1.6824 mills for additional public safety, and .5948 mills for street lights. This resulted in approximately \$272,000 for operating, approximately \$276,000 for public safety, approximately \$298,000 for public safety equipment, approximately \$501,000 for additional public safety, approximately \$122,000 for street lights, and approximately \$179,000 in administration fees and penalties. These amounts are recognized in the respective General and Special Revenue Funds financial statements as tax revenue.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Capital Assets - Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Charter Township of Emmett

Notes to Financial Statements March 31, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Water and sewer distribution systems	50 years
Buildings and building improvements	40 to 50 years
Vehicles	3 to 5 years
Other tools and equipment	3 to 7 years

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Charter Township of Emmett

Notes to Financial Statements March 31, 2007

Note 2 - Stewardship, Compliance, and Accountability

Construction Code Fees - The Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Shortfall at April 1, 2006	\$ (175,896)
Current year building permit revenue	147,990
Related expenses:	
Direct costs	(93,385)
Estimated indirect costs	<u>(23,902)</u>
Total construction code expenses	<u>(117,287)</u>
Net deficit at March 31, 2007	<u>\$ (145,193)</u>

Noncompliance - The Public Safety Fund Original and Amended Budgets create a fund deficit as of March 31, 2007, which is prohibited by the Uniform Budgeting and Accounting Act (Public Act 2 of 1968, as amended by Public Act 621 of 1978).

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Charter Township of Emmett

Notes to Financial Statements March 31, 2007

Note 3 - Deposits and Investments (Continued)

The Township has designated two banks for the deposit of its funds. The investment policy adopted by the Township includes all investments allowed by Public Act 196 of 1997. The Township is in compliance with the policy. The Township's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$2,251,860 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Township's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the average maturities of investments are as follows:

Investment	Fair Value	Maturity Date
U.S. Treasury notes	\$ 87,409	8/15/2007
U.S. Treasury notes	26,122	2/15/2008
U.S. Treasury notes	52,734	10/15/2008
U.S. Treasury notes	82,589	10/15/2009
U.S. Treasury notes	78,344	9/15/2010

Charter Township of Emmett

Notes to Financial Statements March 31, 2007

Note 4 - Receivables

Receivables as of year end for the Township's individual major funds and nonmajor funds are as follows:

	General Fund	Public Safety Fund	Public Safety Special Revenue Fund	Project #5 Fund	Bradford Water Fund	Governmental Activities Total	Business -type Activities - Water and Sewer Fund	Total
Receivables:								
Taxes	\$ 47,648	\$ 72,327	\$ 28,041	\$ -	\$ -	\$ 148,016	\$ -	\$ 148,016
Special assessments	-	-	-	230,773	54,304	285,077	-	285,077
Customer	-	-	-	-	-	-	1,094,247	1,094,247
Interest and other	<u>12,550</u>	<u>-</u>	<u>-</u>	<u>19</u>	<u>-</u>	<u>12,569</u>	<u>-</u>	<u>12,569</u>
Net receivables	<u>\$ 60,198</u>	<u>\$ 72,327</u>	<u>\$ 28,041</u>	<u>\$ 230,792</u>	<u>\$ 54,304</u>	<u>\$ 445,662</u>	<u>\$ 1,094,247</u>	<u>\$ 1,539,909</u>

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned
Special assessments	\$ 285,077	\$ -
Grant received prior to meeting all eligibility requirements	<u>-</u>	<u>43,074</u>
Total	<u>\$ 285,077</u>	<u>\$ 43,074</u>

Charter Township of Emmett

Notes to Financial Statements March 31, 2007

Note 5 - Capital Assets

Capital asset activity of the Township's governmental and business-type activities was as follows:

	Balance April 1, 2006	Additions	Balance March 31, 2007
Governmental Activities			
Capital assets being depreciated:			
Buildings and improvements	\$ 1,687,137	\$ -	\$ 1,687,137
Vehicles	1,374,157		1,374,157
Other tools and equipment	<u>715,332</u>	<u>71,701</u>	<u>787,033</u>
Subtotal	3,776,626	71,701	3,848,327
Accumulated depreciation:			
Buildings and improvements	1,593,920	7,933	1,601,853
Vehicles	1,113,188	72,066	1,185,254
Other tools and equipment	<u>281,119</u>	<u>92,553</u>	<u>373,672</u>
Subtotal	<u>2,988,227</u>	<u>172,552</u>	<u>3,160,779</u>
Net capital assets being depreciated	<u>\$ 788,399</u>	<u>\$ (100,851)</u>	<u>\$ 687,548</u>
Business-type Activities			
Capital assets being depreciated:			
Water and sewer distribution systems	\$ 21,203,705	\$ 49,496	\$ 21,253,201
Other tools and equipment	<u>45,283</u>	<u>4,646</u>	<u>49,929</u>
Subtotal	21,248,988	54,142	21,303,130
Accumulated depreciation:			
Water and sewer distribution systems	8,935,145	425,044	9,360,189
Other tools and equipment	<u>45,283</u>	<u>-</u>	<u>45,283</u>
Subtotal	<u>8,980,428</u>	<u>425,044</u>	<u>9,405,472</u>
Net capital assets being depreciated	<u>\$ 12,268,560</u>	<u>\$ (370,902)</u>	<u>\$ 11,897,658</u>

Charter Township of Emmett

Notes to Financial Statements March 31, 2007

Note 5 - Capital Assets (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 13,636
Public safety	<u>158,916</u>
Total governmental activities	<u>\$ 172,552</u>
Business-type activities - Water and sewer	<u>\$ 425,044</u>

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Special Revenue - Public Safety	15,709
General Fund	Debt Service - Bradford Water	\$ 2,507
General Fund	Enterprise - Water and Sewer	<u>2,583</u>
	Total	<u>\$ 20,799</u>

These balances result from the time lag between the dates that goods and services are provided and reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Interfund transfers reported in the fund financial statements are comprised of the following:

Fund Providing Resources	Fund Receiving Resources	Amount
General Fund	Special Revenue - Public Safety	\$ 861,362
Enterprise - Water and Sewer	General Fund	<u>30,000</u>
Total		<u>\$ 891,362</u>

The transfer from the General Fund to the Public Safety Fund was to cover a portion of public safety expenditures. The transfer from the Public Safety Special Revenue Fund to the Public Safety Fund was to cover certain public safety expenditures.

Charter Township of Emmett

Notes to Financial Statements March 31, 2007

Note 7 - Long-term Debt

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities							
General obligation bonds:							
Sanitary Sewer Refunding bonds:							
Amount of issue - \$1,260,000							
Maturing through 2018	3.0% - 4.0%	\$75,000 - \$115,000	\$ 1,210,000	\$ -	\$ (75,000)	\$ 1,135,000	\$ 75,000
Special assessment bonds:							
Amount of issue - \$420,000							
Maturing through 2010	5.40% - 6.0%	\$30,000 - \$40,000	180,000	-	(30,000)	150,000	35,000
Installment purchase agreements:							
<u>Police vehicle</u>							
Amount of issue - \$21,977							
Maturing through 2006	6.20%	\$5,009 - \$5,999	5,649	-	(5,649)	-	-
<u>Police vehicle</u>							
Amount of issue - \$75,681							
Maturing through 2007	5.40%	\$17,455 - \$20,438	37,788	-	(18,397)	19,391	18,397
<u>Police vehicle</u>							
Amount of issue - \$187,789							
Maturing through 2009	5.15%	\$43,402 - \$50,635	137,154	-	(43,553)	93,601	43,402
Total governmental activities			<u>\$ 1,570,591</u>	<u>\$ -</u>	<u>\$ (172,599)</u>	<u>\$ 1,397,992</u>	<u>\$ 171,799</u>
Business-type Activities							
Special assessment bonds - Calhoun County Sanitary Bonds							
Amount of issue - \$3,265,000							
Maturing through 2021	4.75% - 6.75%	\$150,000 - \$200,000	<u>\$ 2,800,000</u>	<u>\$ -</u>	<u>\$ (150,000)</u>	<u>\$ 2,650,000</u>	<u>\$ 150,000</u>

Charter Township of Emmett

Notes to Financial Statements March 31, 2007

Note 7 - Long-term Debt (Continued)

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 175,082	\$ 54,496	\$ 229,578	\$ 150,000	133,638	\$ 283,638
2009	162,910	46,928	209,838	150,000	123,513	273,513
2010	125,000	39,648	164,648	150,000	113,388	263,388
2011	125,000	34,612	159,612	150,000	103,262	253,262
2012	90,000	30,650	120,650	150,000	94,225	244,225
2013-2017	495,000	103,563	598,563	900,000	346,750	1,246,750
2018-2022	225,000	13,600	238,600	1,000,000	118,750	1,118,750
Total	<u>\$ 1,397,992</u>	<u>\$ 323,497</u>	<u>\$ 1,721,489</u>	<u>\$ 2,650,000</u>	<u>\$ 1,033,526</u>	<u>\$ 3,683,526</u>

Note 8 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for medical benefits and workers' compensation claims and participates in the Michigan Municipal Risk Management Authority risk pool for claims relating to property loss. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority's State Pool program operates as a common risk-sharing management program for local units of government in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. A portion of the excess insurance coverage is underwritten by the Authority itself.

Note 9 - Retirement Plans

Defined Contribution Retirement Plan

The Township provides pension benefits to all of its full-time union employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to join the plan on January 1 of each year. As established by the Township board, the Township contributes up to a 5 percent match of employees' gross earnings and employees contribute to the plan to the extent they wish to defer compensation. In accordance with these requirements, the Township contributed approximately \$9,000 and employee contributions were approximately \$10,000.

Charter Township of Emmett

Notes to Financial Statements March 31, 2007

Note 9 - Retirement Plans (Continued)

Defined Benefit Retirement Plan

Plan Description - The Charter Township participates in the Municipal Employees' Retirement System of Michigan (MERS), an agent multiple-employer defined benefit pension plan that covers all employees of the Township. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, MI 48917.

Funding Policy - The obligation to contribute to and maintain the system for these employees was established by negotiation with the Township's competitive bargaining units and requires a contribution from the employees of 7.89 percent and 6.27 percent of gross wages for general and police and fire employees, respectively. The employees are required to contribute the percentage difference between the employer maximum contribution and the percentage necessary to fund the MERS plan. This was 5.47 percent for police and 12.3 percent for all other participants for the year ended March 31, 2007.

Annual Pension Cost - For the year ended March 31, 2007, the Township's annual pension cost of approximately \$158,000 (\$75,000 employer and \$83,000 employee) for the plan was equal to the Township's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2004, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return assuming 4.5 percent per year inflation, (b) projected salary increases of 4.5 percent per year based on inflation, and (c) additional projected salary increases of 0 percent to 4.5 percent per year, based on age-related scale to reflect merit, longevity, and promotional increases. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis.

Charter Township of Emmett

Notes to Financial Statements March 31, 2007

Note 9 - Retirement Plans (Continued)

Three year-trend information is as follows:

	Fiscal Year Ended March 31		
	2007	2006	2005
Annual pension cost	\$ 71,627	\$ 69,046	\$ 59,096
Percentage of APC contributed	100%	100%	100%
	Actuarial Valuation as of December 31		
	2005	2004	2003
Actuarial value of assets	\$ 1,718,409	\$ 1,579,442	\$ 1,405,082
Actuarial accrued liability	2,295,845	2,123,735	1,622,170
Unfunded AAL	577,436	544,293	217,088
Funded ratio	75.00%	74.00%	87.00%
Covered payroll	1,107,290	1,062,461	1,012,322
UAAL as a percentage of covered payroll	54.35%	51.23%	21.44%

Required Supplemental Information

Charter Township of Emmett

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended March 31, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Taxes:				
Operating	\$ 271,278	\$ 272,093	\$ 272,093	\$ -
Street lights	114,131	122,280	122,280	-
Trailer fees	2,200	2,296	2,296	-
Administration fees	175,175	172,341	172,341	-
Penalties and miscellaneous	9,000	3,972	3,941	(31)
Total taxes	571,784	572,982	572,951	(31)
Current road assessments	-	47,500	35,288	(12,212)
State sources	903,524	867,674	867,674	-
Licenses and permits:				
Registration fees	1,300	1,225	1,225	-
Building permits	89,000	78,592	78,592	-
Electrical permits	19,000	28,162	28,162	-
Plumbing permits	16,000	19,203	19,203	-
Mechanical permits	23,000	22,033	22,033	-
Zoning and planning	10,500	4,700	4,700	-
Junk yard licenses	4,642	2,743	2,743	-
Plan review fees	5,500	2,682	2,682	-
Land division fees	10,500	2,360	2,360	-
Total licenses and permits	179,442	161,700	161,700	-
Charges for services:				
Printed materials	450	273	273	-
Cemetery lots/Open close/Foundations	6,500	7,319	7,319	-
Rebate - Summer taxes	14,041	14,041	14,041	-
Cable TV - Franchise	35,000	33,909	33,909	-
Total charges for services	55,991	55,542	55,542	-
Fines and forfeits - Ordinance fines from County	6,000	746	746	-
Interest earned	15,800	30,128	30,128	-
Miscellaneous	5,772	4,234	4,110	(124)
Total revenue	1,738,313	1,740,506	1,728,139	(12,367)

Charter Township of Emmett

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended March 31, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Expenditures				
General government:				
Township board:				
Salaries	\$ 5,000	\$ 3,155	\$ 3,155	\$ -
Conferences and related expenses	-	85	85	-
Professional fees	17,000	14,887	14,887	-
Board of review	750	850	850	-
Advertising and publishing	2,500	846	846	-
Dues and memberships	4,700	5,359	5,359	-
Miscellaneous	200	60	10,251	(10,191)
Group insurance	160	95	95	-
Social Security	440	306	306	-
Administration fees	1,100	534	534	-
Total Township board	31,850	26,177	36,368	(10,191)
Assessing:				
Salaries	79,303	79,660	79,660	-
Office supplies	1,550	2,323	2,323	-
Social Security	6,067	6,004	6,004	-
Group insurance	27,517	29,217	29,217	-
Dues and memberships	365	235	235	-
Miscellaneous	3,603	4,100	4,100	-
Conferences	1,000	124	124	-
Capital outlay	3,000	4,563	4,563	-
Professional fees	1,200	1,707	1,707	-
Total assessing	123,605	127,933	127,933	-
Supervisor:				
Salaries	39,917	39,916	39,916	-
Office supplies	100	130	130	-
Communications	672	666	666	-
Transportation	500	500	500	-
Social Security	3,054	2,935	2,935	-
Group insurance	13,690	13,124	13,124	-
Total supervisor	57,933	57,271	57,271	-

Charter Township of Emmett

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended March 31, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Expenditures (Continued)				
General government (Continued):				
Treasurer:				
Salaries	\$ 51,451	\$ 50,061	\$ 50,061	\$ -
Computer maintenance	900	895	895	-
Office supplies	3,800	4,308	4,308	-
Equipment maintenance	100	-	-	-
Conferences and related expenses	50	35	35	-
Social Security	3,625	3,830	3,830	-
Capital outlay	500	-	-	-
Group insurance	30	22	22	-
Total treasurer	60,456	59,151	59,151	-
Building Authority:				
Supplies	4,000	2,702	2,702	-
Telephone	1,900	1,743	1,743	-
Postage	12,000	13,442	13,442	-
Building and equipment maintenance	2,700	6,437	6,437	-
Electricity	3,000	3,751	3,751	-
Heat	3,000	3,433	3,433	-
Water and sewer	800	838	838	-
Refuse service	850	1,268	1,268	-
Miscellaneous	100	112	-	112
Total Building Authority	28,350	33,726	33,614	112
Elections:				
Salaries	21,045	25,275	25,275	-
Social Security	977	1,109	1,109	-
Office supplies	4,400	2,285	2,285	-
Capital outlay	-	-	-	-
Miscellaneous	6,565	6,190	6,188	2
Total elections	32,987	34,859	34,857	2

Charter Township of Emmett

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended March 31, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Expenditures (Continued)				
General government (Continued):				
Clerk:				
Salaries	\$ 66,474	\$ 66,439	\$ 66,439	\$ -
Office supplies	1,000	361	361	-
Conferences	500	25	25	-
Dues and memberships	300	430	430	-
Capital outlay	500	-	-	-
Social Security	5,227	4,865	4,865	-
Group insurance	22,868	21,620	21,620	-
Miscellaneous	3,050	2,545	2,545	-
Total clerk	99,919	96,285	96,285	-
Planning and zoning boards:				
Salaries	64,906	62,147	62,147	-
Zoning board expenses	2,250	1,090	1,090	-
Group insurance	3,809	3,693	3,693	-
Legal	5,000	4,274	4,274	-
Social Security	5,138	4,812	4,812	-
Maintenance	800	787	787	-
CAD Mapping Project	1,000	1,194	1,194	-
Miscellaneous	5,850	2,407	2,407	-
Printing and publishing	1,750	1,695	1,695	-
Total planning and zoning boards	90,503	82,099	82,099	-
Data processing:				
Outside services	-	560	560	-
Capital outlay	11,842	14,595	14,595	-
Communications	1,019	-	-	-
Total data processing	12,861	15,155	15,155	-
Total general government	538,464	532,656	542,733	(10,077)

Charter Township of Emmett

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended March 31, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Expenditures (Continued)				
Public safety:				
Salaries	\$ 25,554	\$ 26,081	\$ 26,081	\$ -
Building and zoning inspector	66,750	57,479	57,479	-
Electrical and mechanical inspector	31,500	26,680	26,680	-
Plumbing inspector	12,000	9,226	9,226	-
Office supplies	2,000	1,203	1,203	-
Communications	1,250	598	598	-
Legal	1,000	372	372	-
Social Security	10,389	9,241	9,241	-
Group insurance	7,364	7,079	7,079	-
Equipment maintenance	525	-	-	-
Inspectors' plan review	-	2,138	2,138	-
Miscellaneous	200	195	195	-
Outside services	1,000	525	525	-
Total public safety	159,532	140,817	140,817	-
Roads, highways, and street lights:				
Street lights	114,131	128,642	128,642	-
Roads - Improvements	-	47,502	47,502	-
Capital outlay - Metro projects	11,500	-	-	-
Total roads, highways, and street lights	125,631	176,144	176,144	-
Cemetery:				
Maintenance	24,100	24,127	24,127	-
Grave openings	2,000	4,090	4,090	-
Miscellaneous	800	1,316	1,316	-
Total cemetery	26,900	29,533	29,533	-

Charter Township of Emmett

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended March 31, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Expenditures (Continued)				
Other:				
Retirement pension	\$ 24,562	\$ 22,956	\$ 22,956	\$ -
Insurance	38,042	43,403	43,403	-
Miscellaneous	20,720	13,151	13,151	-
Total other	<u>83,324</u>	<u>79,510</u>	<u>79,510</u>	<u>-</u>
Total expenditures	<u>933,851</u>	<u>958,660</u>	<u>968,737</u>	<u>(10,077)</u>
Excess of Revenue Over Expenditures	804,462	781,846	759,402	(22,444)
Other Financing Sources (Uses)				
Operating transfers in	-	30,000	30,000	-
Operating transfers out	<u>(802,855)</u>	<u>(802,855)</u>	<u>(861,362)</u>	<u>(58,507)</u>
Total other financing sources (uses)	<u>(802,855)</u>	<u>(772,855)</u>	<u>(831,362)</u>	<u>(58,507)</u>
Net Change in Fund Balance	1,607	8,991	(71,960)	(80,951)
Fund Balance - Beginning of year	<u>446,124</u>	<u>446,124</u>	<u>446,124</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 447,731</u>	<u>\$ 455,115</u>	<u>\$ 374,164</u>	<u>\$ (80,951)</u>

Charter Township of Emmett

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds - Public Safety Year Ended March 31, 2007

	Public Safety Fund			Variance with
	Original Budget	Amended Budget	Actual	Amended Budget
Revenue				
Taxes	\$ 778,151	\$ 776,819	\$ 776,819	\$ -
Fines and forfeitures	142,400	154,974	160,638	5,664
Charges for services	9,300	9,980	4,883	(5,097)
Contributions	46,378	50,173	50,173	-
State sources	7,500	7,267	48,966	41,699
Miscellaneous	8,150	15,153	14,585	(568)
Total revenue	991,879	1,014,366	1,056,064	41,698
Expenditures				
Insurance	121,949	140,198	125,957	14,241
Salaries	1,078,843	1,085,656	1,111,278	(25,622)
Operating supplies	9,500	13,962	13,962	-
Office supplies	3,500	3,362	3,377	(15)
Uniforms, accessories, and cleaning	16,500	17,559	17,559	-
Holiday pay	14,830	28,698	28,700	(2)
Conferences and related expenses	3,500	3,589	3,589	-
Legal	34,500	40,376	40,376	-
Miscellaneous	20,951	19,191	19,178	13
Capital outlay	8,830	10,136	65,005	(54,869)
Social Security	80,052	85,181	85,183	(2)
Group insurance, physicals, and pensions	295,280	277,639	277,637	2
Central dispatch	106,500	106,534	106,534	-
Total expenditures	1,794,735	1,832,081	1,898,335	(66,254)
Excess of Expenditures Over Revenue	(802,856)	(817,715)	(842,271)	(24,556)
Other Financing Sources				
Operating transfers in	802,854	802,854	861,362	58,508
Total other financing sources	802,854	802,854	861,362	58,508
Net Change in Fund Balance	(2)	(14,861)	19,091	33,952
Fund Balance - Beginning of year	-	-	-	-
Fund Balance - End of year	<u>\$ (2)</u>	<u>\$ (14,861)</u>	<u>\$ 19,091</u>	<u>\$ 33,952</u>

Charter Township of Emmett

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds - Public Safety Special Revenue Year Ended March 31, 2007

	Public Safety Special Revenue Fund			Variance with
	Original Budget	Amended Budget	Actual	Amended Budget
Revenue				
Property taxes	\$ 298,609	\$ 297,658	\$ 297,667	\$ 9
Interest income	-	5,011	5,115	104
Miscellaneous	-	9,480	9,480	-
Total revenue	298,609	312,149	312,262	113
Expenditures				
Debt retirement	68,071	77,072	77,072	
Utilities	13,000	16,383	16,383	
Insurance	2,817	2,817	2,817	
Vehicle maintenance	75,277	72,686	79,599	(6,913)
Transportation	86,700	57,104	57,104	
Capital outlay	600	806	806	-
Communications	7,900	13,740	13,740	
Miscellaneous	-	65	(9,726)	9,791
Total expenditures	254,365	240,673	237,795	2,878
Excess (Deficiency) of Revenue Over Expenditures	44,244	71,476	74,467	2,991
Other Financing Uses - Operating transfers out	-	(228,878)	-	(228,878)
Net Change in Fund Balance	44,244	(157,402)	74,467	231,869
Fund Balance - Beginning of year	218,051	218,051	218,051	-
Fund Balance - End of year	<u>\$ 262,295</u>	<u>\$ 60,649</u>	<u>\$ 292,518</u>	<u>\$ 231,869</u>

Charter Township of Emmett

Note to Required Supplemental Information March 31, 2007

Note - Budgetary Information

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at March 31, 2007 has not been calculated.

The budget is adopted on a line-item basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law.

- The Township had the following significant budget overrun:

	<u>Budget</u>	<u>Actual</u>
Public Safety Fund - Salaries	\$ 1,085,656	\$ 1,111,278
Public Safety - Capital Outlay	10,136	65,006

May 15, 2007

To the Members of the Township Board
Charter Township of Emmett
620 Cliff Street
Battle Creek, MI 49014

Dear Board Members:

In planning and performing our audit of the financial statements of the Charter Township of Emmett as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

Payroll Functions

During our audit, we noted that the deputy clerk is the employee responsible for entering new employees and pay rates into the payroll system, and there is no review of this data. We recommend that the supervisor, clerk, or treasurer review the payroll information immediately following data entry. This will help increase internal controls within the Township related to the payroll function.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses.

Capital Assets

During our audit, we noted that the Township does not keep track of all capital assets being purchased or sold. We recommend that the Township maintain a record of all capital asset additions and disposals each year, and properly record asset additions in the capital outlay accounts. For the accuracy of the financial records, it is imperative that every effort is made to identify capital asset purchases and disposals on an ongoing basis.

Audit Adjustments

As part of the audit process, several adjustments, including adjusting the financial records from cash to accrual basis, were recommended to management and made to adjust various general ledger balances as of March 31, 2007. These journal entries were necessary in order for the financial statements to be materially correct.

Comments Repeated from Previous Year

Common Cash Bank Reconciliation

During our audit, we noted that bank reconciliations are still not being performed for the common cash accounts. Bank reconciliation is a responsibility mandated by the State of Michigan and is also an essential internal control for the Township. The accurate and timely preparation of bank reconciliations is vital to maintaining effective internal controls over cash, including knowledge of cash balances at any given time. Bank reconciliations should be performed monthly and should be reviewed by a supervisor.

Manual Journal Entries

During the audit, we noted that the deputy clerk is the only employee responsible for initiating and posting journal entries; no approval is required and there is no evidence that entries are being reviewed. We recommend that on a regular, but at least quarterly basis, the supervisor reviews all manual journal entries and provides evidence of the review process. This will help to increase internal controls within the Township and help detect potential misstatements.

May 15, 2007

This communication is intended solely for the information and use of the Board members, management, and others within the Township and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,
PLANTE & MORAN, PLLC

A handwritten signature in black ink, reading "Sharon L. Vargo". The signature is written in a cursive style with a large, flowing "S" and "V".

Sharon L. Vargo, CPA
Partner

A handwritten signature in black ink, reading "Kim Hoppe". The signature is written in a cursive style with a large, flowing "K" and "H".

Kim Hoppe, CPA
Associate